

Internal Revenue Service

Department of the Treasury

**District
Director**

1100 Cassette St., Dallas, Texas 75242

Date: APR 23 1992

Person to Contact:

Telephone Number:

Refer Reply to:

Dear Sir or Madam:

We have considered your application for recognition of exemption from Federal income tax under section 501(c)(06) of the Internal Revenue Code.

The information submitted indicates you were incorporated as a nonprofit corporation on [REDACTED] under the name [REDACTED]. You filed Articles of Amendment to the Articles of Incorporation on [REDACTED]: Article One was amended in its entirety to read: "The name of the corporation is [REDACTED]."

Articles Four and Five of the original incorporating document relate to purpose and membership requirements of the organization, as follows:

"The purpose for which the corporation is organized is to provide information and services relating to general business operations."

"Membership in this corporation is limited to those persons operating a business from an address other than their personal address."

Article II of the Bylaws echo the purpose statement found in the Articles of Incorporation and are expanded to include, but not limited to, general accounting, payroll, purchasing, personnel, employee benefits, printing, banking, insurance, transportation, communications, legislature, data processing, advertising, consultant utilization, etc.

Paragraph 3.06, Article III of the Bylaws provide: "The termination or resignation of a member disqualifies him from participation in any insurance programs the corporation has arranged for its membership." Further, paragraph 4.04, Article IX of the Bylaws state: "No action affecting the insurance program arranged for the membership of this corporation may be made, directly or indirectly, without the express approval of the Board of Directors or Executive Committee."

[REDACTED]

A description of your present and planned activities found in your application include such statements as:

"...provide specific membership benefits and services according to a membership need assessment currently in progress."

"...provide corporate employers and their employees with a credit union service and possible discounted bank card...and enhance membership benefits."

"Presently have a fully insured group hospitalization insurance program available for all members and hope to have a business insurance program at some point in the foreseeable future."

"...many companies are willing to offer discounts to groups who endorse or approve their offerings. In order to enhance membership benefits, we would periodically provide these to the membership."

Section 501(c) of the Code describes certain organizations exempt from Federal income tax under section 501(a) and reads, in part, as follows:

(6) Business leagues, chambers of commerce, real estate boards, boards of trade. ***, not organized for profit and no part of the net earnings of which inures to the benefit of any private shareholder or individual."

Section 1.501(c)(6)-1 of the regulations provides as follows:

"A business league is an association of persons having some common business interest, the purpose of which is to promote such common interest and not to engage in regular business of a kind ordinarily carried on for profit. It is an organization of the same general class as a chamber of commerce or board of trade. Thus, its activities should be directed to the improvement of business conditions of one or more lines of business as distinguished from the performance of particular services for individual persons. An organization whose purpose is to engage in a regular business of a kind ordinarily carried on for profit, even though the business is conducted on a cooperative basis or produces only sufficient income to be self-sustaining, is not a business league. ***"

The members of an exempt business league must share a common business interest. The purpose of the business league must be to promote this common business interest.

[REDACTED]

Revenue Ruling 59-391, 1959-2 C.B. 151, describes an organization of individuals, firms, associations and corporations, each representing a different trade, business, occupation or profession whose purpose is to exchange information on business prospects has no common business interest other than a mutual desire to increase their individual sales. Their activities are not directed to one or more lines of business, but rather the private interests of the members.

In American Automobile Association v. Commissioner, 19 T.C. 1146 (1953), the organization was found not to be exempt as a business league because its principle activities were determined to consist of securing benefits and performing particular services for members.

Revenue Ruling 66-338, 1966-2 C.B. 226, provides that an organization formed to promote the interests of a particular retail trade which advises its members in the operation of their individual businesses and sell supplies and equipment to them is not exempt from Federal income tax under section 501(c)(6) of the Internal Revenue Code.

Revenue Ruling 70-591, 1970-2 C.B. 118 describes a nonprofit organization of commercial banks formed to provide and promote a credit card plan for member banks which did not qualify for tax exemption under section 501(c)(6) of the Code.


Based on the information submitted by your organization, we have determined that you do not meet the requirements for exemption under section 501(c)(6) of the Internal Revenue Code because you perform particular services for your membership who have no common business interest other than not operating out of a home office.

Accordingly you are required to file income tax returns on Form 1120.

If you do not agree with these conclusions, you may, within 30 days from the date of this letter, file in duplicate a brief of the facts, law, and argument that clearly sets forth your position. If you desire an oral discussion of the issue, please indicate this in your protest. The enclosed Publication 892 gives instructions for filing a protest.

If you do not file a protest with this office within 30 days of the date of this

If you do not protest this proposed determination in a timely manner, it will be considered by the Internal Revenue Code as a failure to exhaust available administrative remedies. Section 7428(b)(2) of the Internal Revenue Code

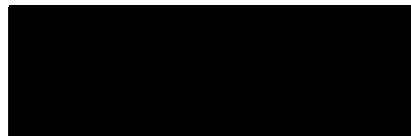

provides in part that, "A declaratory judgment or decree under this section shall not be issued in any proceeding unless the Tax Court, the Court of Claims, or the district court of the United States for the District of Columbia determines that the organization involved has exhausted administrative remedies available to it within the Internal Revenue Service."

If this determination letter becomes a final determination, we will notify the appropriate State Officials, as required by section 6104(c) of the Code, that based on the information we have, we are unable to recognize you as an organization of the type described in Code section 501(c)(3).

If you agree with these conclusions or do not wish to file a written protest, please sign and return Form 6018 in the enclosed self-addressed envelope as soon as possible.

If you have any further questions, please contact the person whose name and telephone number are shown at the beginning of this letter.

Sincerely,



District Director

Enclosures:
Publication 892
Form 6018